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Foreign Labor Trends

Venezuela



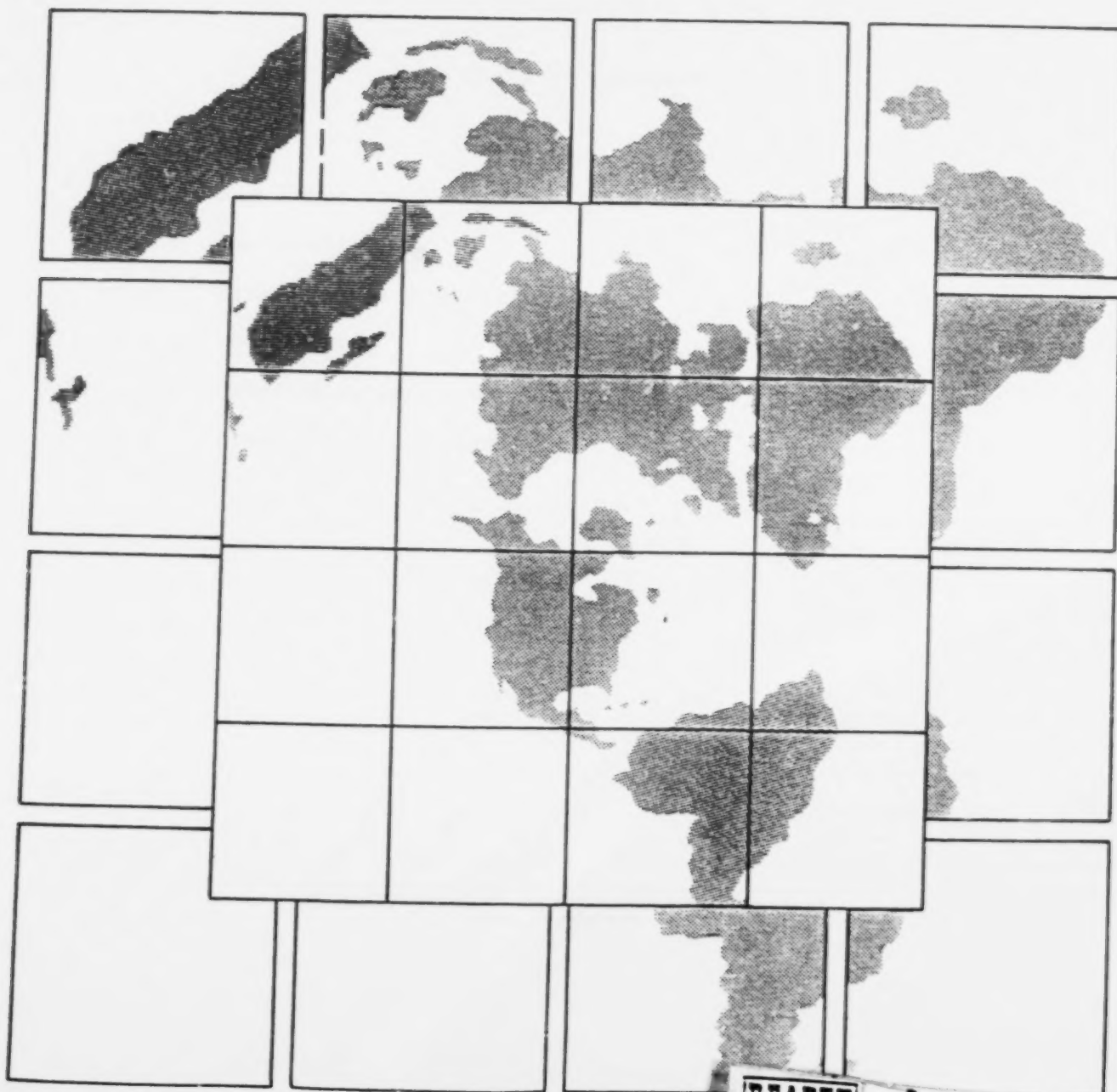
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FOREIGN LABOR TRENDS REPORT

VENEZUELA

1988 - 1989

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Key Labor Indicators

	<u>1986</u>	<u>1987</u>	<u>Pct Chg.</u>
Per Capita GDP (current bolivares)	27,754	39,372	41
Per Capita GDP (1984 bolivares)	18,772	19,036	1
Per Capita GDP (current \$)	1,418	1,381	-2
Population (000)	17,791	18,272	2.7
Urban Population (000)	14,642	15,121	4.5
Birth Rate per 1000	28.34	28.28	0
Life Expectancy at Birth, Total	70	70	0
Male	67	67	0
Female	73	73	0
Adult Literacy Rate (1981)	85		
Labor Force, Total (000)	6,107	6,322	4
Agriculture	823	820	0
Industry	1,407	1,539	9
Services	3,246	3,423	5
Labor Force Particip. Rate, Total	56.1	56.3	0
Female	30.9	31.3	1
Male	81.1	81.1	0
Unemployment Rate	10.3	8.5	17
Informal Sector (% of Labor Force)			
Total	37.3	35.4	-5
Domestic Workers	3.0	3.0	0
Self-employed (Non-professional)	19.9	18.4	-8
Firms with Fewer than 5 Employees	14.4	14	-3
Work Related Accidents and Illnesses	10,128	5,309	-48
Monthly Minimum Wage Rates			
Urban (Bolivares)	2,010	2,613	30
Urban (Dollars)	103	92	-11
Rural (Bolivares)	1,500	1,950	30
Rural (Dollars)	77	69	-10
Average Weekly Earnings in Dollars			
Total White Collar	63	54	-14
Total Blue Collar	33	25	-24
Petroleum Industry, White Collar	79	71	-10
---, Blue Collar	36	26	-28
Textile and Clothing, White Coll.	65	55	-15
---, Blue Collar	23	20	-13
Paper Products, White Collar	127	77	-39
---, Blue Collar	50	32	-36
Chemical Industry, White Collar	63	63	0
---, Blue Collar	33	24	-27
Iron and Steel, White Collar	80	56	0
---, Blue Collar	31	23	-26
Footwear Industry, White Collar	65	61	-6
---, Blue Collar	29	21	-28
Banking Industry, White Collar	51	39	-24
---, Blue Collar	36	26	-28

	<u>1986</u>	<u>1987</u>	<u>PCT CHG.</u>
Pct. Change, Consumer Prices	12.5	40.3	222
Avge. Free Market Exchange Rate Bolivares to the Dollar	19.57	28.33	45
Trade with U.S. (\$ Millions)			
Exports to U.S.	5,446	6,103	12
Imports from U.S.	3,137	3,824	22

All statistics come directly from the Government or are derived from Government sources. Please note that we have used the free market exchange rate to convert bolivares to dollars. This understates income during the 1986-87 period since many consumption items were imported at the official exchange rate, which averaged less than half the free market rate.

THE ECONOMY

Venezuela's economy grew by 4.2 percent in 1988, and the unemployment rate dropped from 8.5 percent at the end of 1987 to 7 percent at the end of 1988. However, of the almost 170,000 jobs created during the first half of 1988 (the latest period for which detailed statistics on the labor force are available), 25 percent occurred in the public sector, and at least another 30 percent in the informal sector. Inflation decreased from 40.3 percent in 1987 to 35.5 percent in 1988, according to official statistics. (Many people, however, believe that the real rate of inflation was about 40 percent in 1988).

Labor force participation rates for both men and women continued to rise, and by mid-1988 the overall rate, 56.6 percent, had jumped by four-tenths of a percent during the preceding 12 months. The mix of jobs in the Venezuelan economy changed little through the first half of 1988, with agriculture declining in both absolute and relative terms (accounting for about 14 percent of total employment), manufacturing (17 percent), and construction (8 percent) showing slight gains over a period of several years. Since early 1986, the number of jobs in the public sector (including the state-owned enterprises) has increased slowly and steadily in absolute terms, but the percentage of the total number of employed persons continues at about 19 percent.

The official measurement of participation in Venezuela's informal economy (which counts domestics, all self-employed persons, and workers in establishments with fewer than five employees) has remained a constant 35-37 percent of the labor force since early 1981. The component of the informal economy which represents what is probably its least productive segment (self-employed, non-professional urban workers) is also holding steady at just over 14 percent of the labor force.

STRUCTURE OF ORGANIZED LABOR

According to labor leaders, 30-35 percent of the labor force holds union membership. The major labor central is the Venezuelan Workers Confederation (CTV), an affiliate of the International Confederation of Free Trade Unions (ICFTU) and its Latin American regional grouping, ORIT. The CTV represents a high percentage of all unionized workers in Venezuela and has considerable strength in the public sector. Three small confederations are also present: the single Confederation of Venezuelan Workers (affiliated with the Communist-dominated World Confederation of Trade Unions); and the Confederation of Autonomous Unions and General Confederation of Workers, both of

which have ties to Christian Democratic international labor organizations. A few independent unions and very small union groups complete the picture.

Party politics continue to play a major role in the affairs of organized labor. The CTV is dominated by members of Accion Democratica (AD), the political party that has won five of the seven presidential elections since Venezuela returned to democracy. Other parties represented on the CTV board are the Christian Democrats (COPEI), the Movement Toward Socialism (MAS), and the People's Electoral Movement (MEP). Confederation officials are selected at national congresses, which occur every 5 years. The next congress is scheduled for mid-1990.

LABOR LAW

No significant changes occurred in Venezuela's labor law during 1988. However, a Supreme Court ruling on the calculation of salaries raised the wages of many workers. In 1987, the government had decreed a salary bonus for all workers in an attempt to offset the effects of inflation. The decree specified that the bonus was not to be treated as part of basic salary for the calculation of fringe benefits based on salary, but organized labor challenged this provision of the decree in court and won.

The Supreme Court's ruling created confusion for two reasons. First, under Venezuela's legal system, courts cannot make law, and so the precedent set in one legal case is not binding in other cases. Second, the Court left open the question of exactly which fringe benefits were to be affected by the treatment of the bonus as salary. Many companies accorded their employees the most favorable interpretation of the Court's decision, but others, particularly in the public sector, did not. This led to labor tensions late in the year, including the first work stoppage among petroleum workers since the industry was nationalized. By the end of 1988, nearly all major employers had agreed to consider the bonus as part of basic salary for the calculation of most fringe benefits.

LABOR-MANAGEMENT RELATIONS

Relations between labor and management remained good in 1988. Negotiations continued to be characterized by tough bargaining, the exclusion of government from negotiations, and very infrequent use of the strike. Because 1988 was a national election year, however, few contract negotiations were scheduled as, by mutual agreement, all sought to avoid complications inherent in the charged, pre-election atmosphere.

In general, 1988 was marked by increasing nervousness about the effect of inflation on labor-management relations. For the second straight year, Venezuela experienced inflation in the 35-40 percent range--an event without precedent in the last several decades of the country's history. Since 3 years is the standard period for a labor contract, and since built-in wage increases during the latter years of the contracts were made on the incorrect assumption that inflation would remain low, unionized workers suffered unprecedented declines in their living standards.

FIRST QUARTER, 1989

In early 1989, the newly-elected government announced a stringent economic adjustment program to cope with growing economic problems. One of the first results of this bold program was both a sharp increase in previously-controlled prices and induced scarcities as some products were held off the market while producers and retailers awaited new price schedules. In response, violence broke out in a dozen Venezuelan cities during the week beginning February 27.

To compensate for the expected effects of the program, the government had already announced that on March 1 it would raise the rural minimum wage (from 1950 bolivares, or bs., per month to 2500 bs.), the urban minimum wage (from 2600 bs. to 4000 bs. monthly), and the wages of employees of its ministries (but not of the state-owned companies) according to a sliding scale which, it claimed, averaged over 30 percent. (At the time of these announcements the value of the bolivar was approximately 37 bs. to one dollar.) The government had also encouraged private industry to raise wages, and the CTV and FEDECAMARAS, Venezuela's principal association of business groups, were in negotiations when the riots began.

Under pressure from the violence, FEDECAMARAS and the CTV quickly agreed on an across-the-board 2000 bs. per month wage increase for the private sector (excluding rural workers, domestic servants, and concierges), and the government issued decrees formalizing this accord and extending it to employees of state-owned companies. Over protests by FEDECAMARAS, the CTV then persuaded the government to enact a 4-month prohibition against firings without just cause as established by law (which does not permit layoffs).

The riots greatly embarrassed the CTV, which claims for itself the role of spokesperson for the masses. In the wake of the violence, many CTV leaders have announced that they will take a more confrontational posture with both management and government in the future. A few influential CTV officials

state that in order to protect Venezuelan democracy, the labor confederation must turn itself into a channel for protest by the masses. The CTV has ordered its affiliates not to sign contracts without a provision which allows the renegotiation of salaries every 6 months, and some labor leaders are calling for indexation of salaries--a phrase they have not used in the past.

With prices likely to continue rising until at least the end of May and unemployment apparently increasing, prospects for the remainder of 1989 are for heightened labor-management tensions.

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